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C O N F I D E N T I A L SECTION 01 OF 04 ASHGABAT 000559

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SUBJECT: HEAD OF TURKMENISTAN'S GAS "COMPETENT BODY" TELLS
SCA PDAS MANN THAT HE'S IN CHARGE

REF: A. (A) ASHGABAT 550

[1](#)B. (B) ASHGABAT 326

Classified By: Classified by Charge d'Affaires a.i. Jennifer Brush for
reasons 1.4(B) and (D).

Summary

[1](#)1. (SBU) Bayrammyrat Myradov, the recently appointed Executive Director of Turkmenistan's Executive Administration of the State Agency for Management and Use of Hydrocarbon Resources, told the members of the delegation led by SCA PDAS Steven Mann on June 1 that his agency was in charge, from start to finish, of dealing with foreign companies wishing to sign hydrocarbon extraction PSAs for off-shore blocs. Turkmenistan wanted to attract oil and gas investment and wanted to work "openly and pragmatically" with potential investors to develop multiple gas and oil export routes. Myradov, obviously chosen for his position because of his ease in dealing with western businessmen, was visibly intent on pleasing his guests during his first official meeting with the USG. Perhaps in a positive step for Turkmenistan's hydrocarbon sector, the more approachable and open Myradov will replace Deputy Chairman for Oil and Gas Tachberdi Tagyev, a professional technocrat, as Turkmenistan's chief oil and gas interlocutor. End Summary.

Turkmenistan Interested in Multiple Export Routes

[1](#)2. (SBU) Myradov briefly outlined the functions of his agency, reconstituted by President Berdimuhammedov about two months ago (ref b). According to Myradov, the body's main objective was to attract oil and gas investment, though it also was responsible for streamlining the provision of energy and promoting energy efficiency. Specifically, the agency wanted to work "openly and pragmatically" and in a mutually beneficial fashion with potential investors to promote

multiple export routes for Turkmenistan's gas.

Mann: Diversification Strengthens Sovereignty

13. (SBU) Mann told Myradov that the United States very much wanted to see Turkmenistan diversify its export routes; there were many reasons for this, including a wish to promote business for U.S. companies and to diversify global energy supplies. But the main reason for this strategy was the U.S. desire to support Turkmenistan's independence and sovereignty. This was a strategy that had existed for many years. However, now -- for the first time -- it was possible to implement this vision. Mann noted that it was Myradov's responsibility to attract foreign investment; Chevron, Conoco-Phillips and other world-class petroleum companies had already visited Turkmenistan over the last several months. However, there was also real need to decrease the degree of government control in order to improve the foreign investment climate. Mann stressed that he sincerely wished for Myradov's advice on how the United States government could support Turkmenistan's transition to a modern economy; the United States was willing to provide technical assistance, financial support or training, as needed. Mann then invited the other members of the delegation to introduce the concrete proposals laid out ref a.

14. (SBU) Myradov, thanking Department of Energy Director Lana Ekimoff for the stack of information she provided, commented that "we're like a baby trying to absorb everything; the more information you bring, the more useful it is to us. We welcome anything you can give us; without

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data we can't make good decisions." To U.S. Trade Development Agency Director Dan Stein, who offered to conduct a "definitional visit" that would allow U.S. technical specialists to meet with Turkmenistani officials and develop a list of possible assistance, Myradov stated that his government would consider the offer, and that "most likely" Turkmenistan would agree.

Turkmenistan's Wish List

15. (SBU) In response to a question from Mann about Turkmenistan's vision of cooperation, Myradov responded that "of course" Turkmenistan wanted to cooperate, especially with the United States; Turkmenistan understood the intellectual and physical power the United States had to offer, as well as the rich experience of U.S. companies. He noted that a key responsibility that his agency had, that Gurbanmyradov's competent body had not had, was the responsibility for developing the Caspian offshore hydrocarbon sector. Turkmenistan wanted to learn from international companies' offshore drilling experience, taking into account the need for different export routes. He said that he was familiar with the history of the former negotiations for a Trans-Caspian pipeline (TCP), the Baku-Tbilisi-Ceyhan (BTC) pipeline, and the Shah Deniz pipeline; maybe the Shah Deniz would have proven even more successful if Turkmenistan would have participated. His assessment of the BTC project was that it had been a success, and Turkmenistan had a pragmatic interest in cooperating in this area. His country was interested in the experience of world-class companies which were willing to make large investments, but, at the same time, wanted to avoid the "large problems" that business with large companies often brought. Most of all, Turkmenistan wanted to avoid politicizing energy sector issues, but "modern energy is impossible without politics."

16. (SBU) In response to further prodding from Mann, Myradov expressed an interest in:

-- Learning how to conduct negotiations. Turkmenistan needed to understand better the international legal aspects of

negotiations, especially in dealing with offshore Caspian issues;

-- Improving Turkmenistan's ability to manage its own resources;

-- Receiving training in performing financial assessments.

Myradov also said he had found the definitional visit an interesting idea, and, noting Mann's statement that he wanted to open Turkmenistan's hydrocarbon resources to the world by providing world-class investment, asked what Mann meant by "world-class."

Delegation Makes Case for U.S. Involvement

¶7. (SBU) Mann defined "world-class investment" as involving competition between companies, and between banks, for Turkmenistan's business, which would benefit Turkmenistan by providing lower interest rates, better commercial services, better training and greater transparency. He stressed that companies like Chevron and Conoco-Philips were the companies most concerned about social welfare in the world. This was not because they were "kind people," but rather, because the U.S. legal system forced them to take responsibility for accidents. He added that USG involvement wanted to act seriously in the energy sector, and that USG involvement would fulfill two functions:

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-- Working to ease and make more efficient gas-related interaction between governments; and

-- Serving as translator for the private sector, since most U.S. companies did not know Central Asia.

Mann noted that the EXIM bank had invested heavily in the BTC, and that the United States was the largest contributor to the European Bank for Reconstruction and Development (EBRD).

¶8. (SBU) Stein agreed that U.S. investment in the BTC, SOCAR and Shah-Deniz had been heavy, and reminded Myradov that Kazakhstan and Azerbaijan were both working very successfully with international companies. Broadly speaking, the United States believed there was an opportunity to move forward with a TCP, because demand for oil in Russia and Europe was increasing, while Gasprom, facing leveling production, would become more dependent on Turkmenistan gas. The United States hoped that Turkmenistan would take advantage of the possibility for new export routes, and was willing to assist with delimitation in the Caspian Sea, if that was what Turkmenistan wanted. Stein noted that the United States often heard from Russia that a TCP was impossible without agreement of all five littoral states. However, U.S. lawyers had concluded that there only needed to be agreement between the countries involved -- Turkmenistan and Azerbaijan -- to start construction of a new pipeline. And, indeed, Russia had already gone ahead with many other pipelines in the Caspian region without the agreement of the other littoral states.

¶9. (SBU) Economic analyst Bud Coote made the following points to Myradov:

-- Only U.S. companies had proven to have the technology that had permitted hydrocarbon extraction at Kazakhstan's Tengiz field and in Azerbaijan;

-- The experience that U.S. firms brought to the table would also be helpful in Turkmenistan; and

-- Turkmenistan had good resources, but developing those resources would require considerable investment.

Myradov: State Agency Responsible for Working with Foreign Firms

¶10. (SBU) In response to a question, Myradov stated that his agency was responsible, from beginning to end, for working with international companies wanting to participate in Turkmenistan. There were 32 off-shore blocs; only a few of those were already "taken." Companies wishing to submit a bid on a bloc first needed to fill out and submit to the agency a two-page application with basic questions about the company's shareholders, structure and experience. Once a company submitted a proposal for a specific bloc, the Government of Turkmenistan would provide it preliminary seismic data and satellite imagery prepared several years ago. The state agency would then farm the proposal out to other government agencies -- including the Ministry of Oil and Gas -- for review and evaluation (Myradov said that Turkmenistan might eventually also hire international consultants to help with the evaluation process). After this step, the two sides would open negotiations on a non-exclusive basis to sign a contract; these days, production-sharing agreements (PSAs) were the most common product, but Turkmenistan was also researching other forms of agreements, including in joint venture and concession

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formats. According to Turkmenistan's petroleum law, which had been developed in consultation with USAID and TACIS, companies with PSAs became owners of their shares of oil produced within "their" blocs.

Bio Note

¶11. (C) This was the first time that post has met with Myradov, for whom it has no biographic material. The government did not follow its normal practice of publishing his bio when he was appointed to his current position. MFA, when queried, stated tersely that he had risen through the ranks of a "branch agency" of the Oil and Gas Ministry, though he did not actually work in the ministry itself. Embassy FSNs who used to work regularly with the old "competent body" dominated by Yolly Gurbanmyradov have reported that they never previously came across Myradov and believe that he may have been located in the old Turkmenneftigaz body before it was folded into the Ministry of Oil and Gas. The delegation found Myradov -- who appeared to be in his early forties -- smooth, confident and clearly comfortable with working with westerners. He kept the meeting rolling in an uncharacteristically (for Turkmenistan) light fashion, frequently making jokes and poking fun at himself. Although the meeting was conducted in Russian, he slipped at one point and offered up a joking throw-away line in only lightly accented English.

Comment

¶12. (SBU) The smooth-talking, business-like Myradov provided a favorable contrast to the technologically knowledgeable, but seemingly unimaginative Tagyev, and it is clear that he was appointed to his position not just because of the very different strengths that he brings to the table, but also because of his understanding of western business culture. Given the opacity of Turkmenistan's government structures, establishing a front agency for dealing with foreign companies should ease the difficulties of working in Turkmenistan and, indeed, most companies that currently have PSAs with the government seem relatively pleased with their arrangement. End Comment.

BRUSH